

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

HB 2303 - SB 2294

March 20, 2022

SUMMARY OF BILL: Authorizes a county to pay to an employee all or a portion of an insurance premium that would otherwise be paid on behalf of the employee who opts out of the coverage provided by the county.

FISCAL IMPACT:

Based upon additional review, the fiscal note has been updated as follows:

(CORRECTED)

Increase Local Expenditures – Net Impact –

\$286,487,400/FY22-23 and Subsequent Years/Permissive

Assumptions:

- Local governments in Tennessee provide health insurance through a locally managed plan or participate in the local government plan through the Department of Finance and Administration. The costs and dynamics of all plans are unknown. For the purposes of this analysis, it is assumed the local government health insurance plans are comparable to the state employee plan.
- Based on information provided by Finance and Administration, Benefits Administration, the state employee plan premiums range from \$8,595 for an employee only coverage to \$22,335 for family coverage.
- FRED Economic Data estimated that local governments in Tennessee employed 2,868,000 in December 2021. It is estimated 619,227 of those are county employees $\{[2,868,000 / (345 \text{ cities} + 95 \text{ counties})] \times 95 \text{ counties}\}$.
- Based on the Kaiser Family Foundation (KFF) 2021 Employer Survey, approximately 65 percent of employees enroll in employer sponsored health plans at employers who employ between 200 and 4,999 employees total.
- It is estimated that at least 216,730 employees are eligible but do not participate in health insurance offered by a county government $[619,227 \times (100\% - 65\%)]$.
- The total share of premium paid by each county is unknown. The KFF 2021 Employer Survey found that 86 percent of single coverage enrollees and 83 percent of family coverage enrollees paid less than 50 percent of the total premiums.
- It is assumed the county covers at least 65 percent of an employee's health insurance premium using a combination of state and local funding.

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- Further, it is assumed a county choosing to pay to an employee a portion of an insurance premium will, on average, pay 25 percent of a portion of the single coverage premium.
- The permissive increase in local government expenditures is estimated to be \$302,704,082 [$216,730 \times (\$8,595 \times 65\% \times 25\%)$].
- It is further assumed that an additional 10 percent of eligible employees will opt out of health insurance as a direct result of the incentive payment authorized by this legislation. Therefore, the total number of employees that will opt out is estimated to be 40,250 ($619,227 \times 65\% \times 10\%$).
- The permissive decrease in local government expenditures is estimated to be \$56,216,672 [$40,250 \times (\$8,595 \times 65\% \times 25\%)$].
- The net permissive increase in local government expenditures is estimated to be \$246,487,410 ($\$302,704,082 - \$56,216,672$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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